



## COVERING AMERICA'S KIDS: THE TRUTH ABOUT CHIP

*Faulty rhetoric threatens kids as Congress renews the Children's Health Insurance Program*

Congress created the State Children's Health Insurance Program (CHIP) in 1997 with wide bipartisan support – and CHIP has worked for America's kids in need. In CHIP's first decade, the number of low-income American children without health insurance fell by one-third.<sup>1</sup> Off-base rhetoric that mischaracterizes CHIP must not undermine its success.

**Rhetoric:** *Most CHIP-covered children could have private health insurance instead.*

**Reality:** **CHIP offers an alternative to parents who can't afford private coverage.**

- The Congressional Budget Office has reported that most parents who choose CHIP over available employer coverage do so because CHIP is more affordable, or the benefits are better, or both.<sup>2</sup>
- All public programs replace some private coverage, but that happens less often with CHIP. Three-quarters of Medicare beneficiaries had some form of drug coverage before the Part D benefit was enacted.<sup>3</sup>

**Rhetoric:** *CHIP is moving away from its mission of ensuring health care for low-income children for health care. Renewal of CHIP will provide coverage to children of wealthy families.*

**Reality:** **CHIP kids aren't rich kids – they're kids in need.**

- Ninety-one percent of all CHIP-covered children live in families with incomes at or below 200% of the Federal poverty level (FPL).<sup>4</sup>
- Only one state (New Jersey) has an eligibility level higher than 300% of FPL, and only one other state (New York) has taken steps toward raising eligibility levels above 300% of FPL. In those states, the majority of covered children still come from low-income families.

**Rhetoric:** *CHIP has turned into a health care program for adults, not kids.*

**Reality:** **Only eight percent of CHIP-covered individuals are adults, and the vast majority of covered adults are low-income parents of CHIP-covered kids.**<sup>5</sup>

- About 6,500 adults covered by CHIP are pregnant women receiving prenatal care vital to ensuring a healthy start for newborns.
- States that currently cover adults had to get permission from previous administrations to do so. The Bush administration granted 24 waivers for adult coverage in 15 states.
- In 2005, Congress prohibited new administration waivers allowing states to cover childless adults through CHIP. CHIP renewal will keep that ban in place.

**Rhetoric:** *Expansion of CHIP is an entitlement expansion and a move toward socialized medicine.*

**Reality:** **CHIP is a block grant program that mixes the best of public and private coverage.**

- Unlike entitlement programs, CHIP's spending levels are capped by Congress.
- The vast majority of states have a private market component for their CHIP programs.<sup>6</sup> Benefits are modeled on private market benchmarks and often administered by private plans.

<sup>1</sup> *A Decade of SCHIP Experience and Issues for Reauthorization*, Kaiser Commission on Medicaid and the Uninsured, January 2007

<sup>2</sup> Congressional Budget Office (CBO), "The State Children's Health Insurance Program," May 2007.

<sup>3</sup> CBO, *Issues in Designing a Prescription Drug Benefit for Medicare*, October 2002.

<sup>4</sup> Congressional Research Service, *Congressional Distribution Memorandum*, May 30, 2008.

<sup>5</sup> Congressional Research Service Report to Congress, "State Children's Health Insurance Program (SCHIP): A Brief Overview," March 12, 2008

<sup>6</sup> Neva Kaye, Cynthia Pernice, and Ann Cullen, "Charting SCHIP III: An Analysis of the Third Comprehensive Survey of State Children's Health Insurance Programs," National Academy for State Health Policy, September 2006.